

First.

FIRST BANK OF OWASSO

The bank you can believe in.

February 14, 2011

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D. C. 20551

Re: Docket No. R-1404
RIN No. 7100 AD63

Dear Ms. Johnson:

I am writing to comment on the proposed Debit Interchange Rules. First Bank of Owasso is a community bank with about \$190 million in deposits. We serve about 10,000 consumer and business clients.

The major concern is that the rule only considers the incremental costs incurred in each debit transaction, rather than the actual costs of maintaining a debit card operation. First, we incur both a hard cost for each debit card ordered, plus the soft cost of personnel expense to answer questions about the card and to process the order. Significant personnel time is spent handling debit card disputes between clients and retailers. The regulatory compliance costs incurred with respect to these disputes is not small. We essentially have one full time employee who handles debit card disputes, charge-backs and fraud. Last year First Bank of Owasso lost \$46,309.43 from debit card fraud; almost none of which was committed by our clients. Total loss from all other fraud (counterfeit checks, forged endorsements, counterfeit currency, altered checks and empty ATM deposit envelopes) was \$20.

Fraud losses and the personnel expense associated with dealing with all the disputes have to be borne by someone. That someone is going to be the consumer, not the retail merchant. If the proposed rule is implemented then our bank is going to lose

PO Box 1800
Owasso, OK

74055

918.272.5301

fax 272.8200

www.firstbank.net

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approximately \$250,000 in interchange revenue. That revenue has to be made up somewhere, likely in the form of annual charges for debit cards and replacements for lost, stolen or worn out cards (all of which are provided free currently), maintenance charges on consumer checking accounts (most all are free now), monthly fees for electronic banking (which is free now) and charges for other services which are currently free to the consumer.

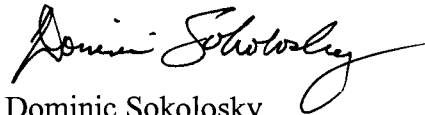
This is an anti-consumer rule disguised as a “bank fee reduction” rule. Why should the largest retailers in the world receive a service at cost or actually below cost?

Last summer I had the opportunity to visit my grandfather’s homeland in Poland. When my family finished a lunch of peirogi in Gdansk, I pulled out my First Bank of Owasso debit card. Although our waitress spoke no English and had no idea where or what First Bank of Owasso was, she was pleased to accept guaranteed payment via an electronic debit transaction. As my late grandfather used to say when referring to America, “What a country,” or in this case “What a payment system.”

Please reconsider your proposed rule and include all the costs (soft, hard and fraud) in setting reasonable fees for a service that is valued and accepted worldwide.

Sincerely,

FIRST BANK OF OWASSO

A handwritten signature in black ink, appearing to read "Dominic Sokolosky", with a stylized flourish at the end.

Dominic Sokolosky
President